

SUBCONTRACT MANAGEMENT PLAN

1. Overview

This Subcontract Management Plan establishes the methods which ECC International Corp. (ECC) uses to manage and administer its programs involving subcontractors and suppliers. This document is ECC's guideline for evaluating the need for selecting, coordinating, integrating and controlling its subcontractors in TSA II program environments. In these environments, it is essential that subcontractor goals, responsibilities and reporting should be initiated and discussed with each subcontractor prior to subcontract performance to minimize any potential risks to the program. Prime contract requirements will be flowed down to the subcontractor as required and monitored to ensure acceptable subcontract performance.

2. Selecting, Coordinating, Integrating and Controlling Subcontractors

ECC has the resident expertise and flexibility to select, coordinate, integrate, and control its subcontractors and suppliers on the TSA II program through established subcontract supplier management processes. Selection of all subcontracts are performed in accordance with Federal Acquisition Regulations and Competition in Subcontracting (FAR 52.244-5). When competition is not in the best interest of the program, sole source procurements are evaluated for cost realism and reasonableness and sole source justifications are prepared and documented for the contract purchase order files. The assessment and selection of potential subcontractors are determined by Program Management, Purchasing, Contracts and the Quality Departments. Before entering a supplier on the approved database and contracting with the supplier, a verification is made to determine the supplier's reputation and references for past performance. Desk top pre-award surveys are utilized for evaluation of suppliers of non-complex, non-critical mechanical and electro-mechanical assemblies which can be adequately evaluated upon receipt. Pre-award surveys are conducted at the facilities of suppliers providing products of a complex design or having critical application. Site surveys evaluate the adequacy and compliance of suppliers with their written quality procedures, including calibration systems, control of non-conforming supplies, corrective action, control of special processes, non-destructive testing, control of drawings and change management. Figure 401-1 is a diagram of ECC's subcontractor selection process.

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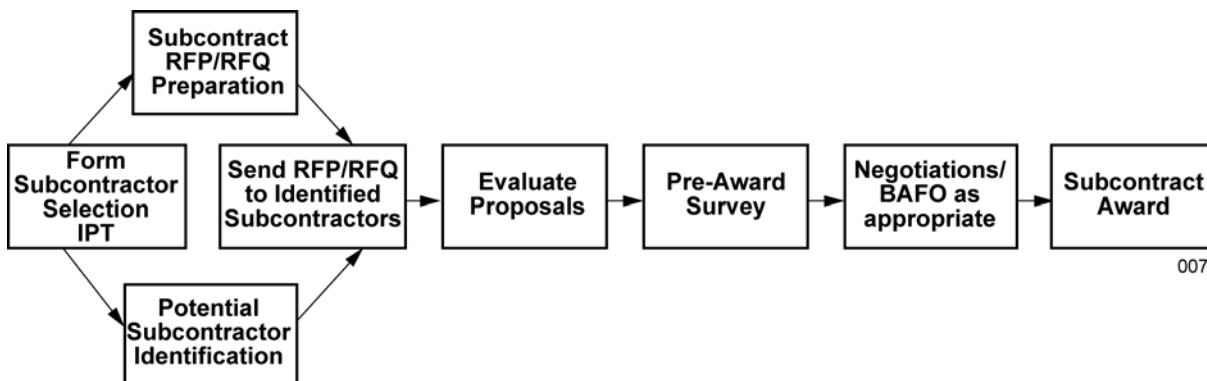


Figure 401-1. Subcontractor Selection Process

ECC's process of selection, coordination, integration and control of subcontractors is strengthened by an average Contracts department personnel experience of sixteen years. Upon award, ECC utilizes a subcontractor rating system to encourage excellent performance. Coordination with subcontractors is established through a post award meeting which explains subcontract requirements, including terms and conditions. ECC personnel regularly perform formal discussions via telecon and in person to monitor performance and ECC provides constructive feedback to enhance and improve subcontract performance. Additionally, written documentation and direction for changes are provided to mitigate program risks. Integration with subcontractors is managed through ECC's Integrated Product Teams (IPT). The subcontractor is an integral part of this team which encompasses, functional as well as program related disciplines. As a member of the IPT, the subcontractor will provide visibility to ECC management to resolve problems/issues, reporting of progress and necessary corrective actions. Control of subcontractors is established through an IPT environment and through appropriate functional organizations (i.e., Purchasing, Program Management, Contracts, Quality Assurance (QA) and Engineering) for cost, schedule, technical, contract compliance, quality, risk management and corrective action. Continuous performance monitoring of subcontractors is an important element of ECC subcontractor control. A supplier quality record file and subcontract documentation file is established for each subcontractor/supplier. These records are maintained to enable efficient monitoring and continuous assessment of subcontractor issues and concerns. ECC has demonstrated past success in managing subcontractors on training systems programs. The current TSA program is one example. Edmond Scientific was awarded the initial subcontract under delivery order -001 and performed its

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effort within cost and schedule requirements set forth in the subcontract. ECC's process for selecting, controlling, integrating, and coordinating with its subcontractors is accomplished through a proven and successful subcontractor management program.

3. Lines of Communication and Authority with Subcontractors

Direct lines of communication and authority will be implemented through the Program Management Office and the Contracts Administration Office. The subcontractor, as a member of the IPT, will facilitate and encourage direct lines of communication at the working levels to promote interaction between all disciplines. ECC and subcontractor personnel will have direct access to each other through formal and informal discussions about program and contractual issues. Frequent discussions with the subcontractor will enable issues to be resolved expeditiously. The subcontractor's authority to commence performance will be upon definitized subcontract award or through letter subcontracts (if applicable) to ensure performance of prime contract requirements within schedule. The subcontract will delineate that the ECC Contracts Representative is the only individual authorized to bind ECC for all performance and contractual issues. Verbal communications will be followed with written documentation through the Contracts organization detailing all direction in order to minimize misunderstandings. Out of scope changes will be managed through mutual negotiation via Contracts and Program management utilizing the changes clause provision of the subcontract. Prime contract flowdowns to the subcontractor will be managed by Contracts and Program Management personnel. Although the Government customer has no privity of subcontract, the contracting officer will be informed through the ECC Contracts organization of any potential subcontractor performance issues in an expeditious manner in order to minimize any impact to the program. The Quality Assurance Department will communicate with the subcontractor directly concerning any inspection and acceptance issues.

The ECC Quality Assurance representative will report and monitor corrective actions necessary as a result of product deficiencies prior to final inspection and acceptance. Authority to negotiate and bind ECC contractually will rest with the ECC Contracts organization and will be delineated in ECC's terms and conditions in any resulting subcontract.

ECC's aforementioned plan will enable successful communication and clear lines of authority during the subcontract management process, minimizes critical issues which might otherwise result in poor subcontractor performance.

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4. Problem Resolution

Problem resolution will be coordinated between the subcontractor and ECC utilizing a process which begins at the IPT level and escalates, if necessary, through higher management levels. By resolving problems and issues at the lowest working levels, it will keep the program focused and minimize simple issues escalating into complex/critical issues. Contractual resolution of problems will be managed and documented via written communication to avoid misunderstandings. Communication between the subcontractor and ECC is key to mitigating any potential program risks. ECC includes an alternate dispute resolution and dispute process associated with the changes provision of any resulting subcontract. Lower level personnel will resolve issues within their scope of authority. Any resultant subcontract will include a provision which provides for the Contracts Manager to have full binding authority on behalf of ECC. ECC is focused and prepared to resolve subcontractor problems at all levels within the company. Figure 401-2 is a diagram of ECC's subcontractor problem resolution.

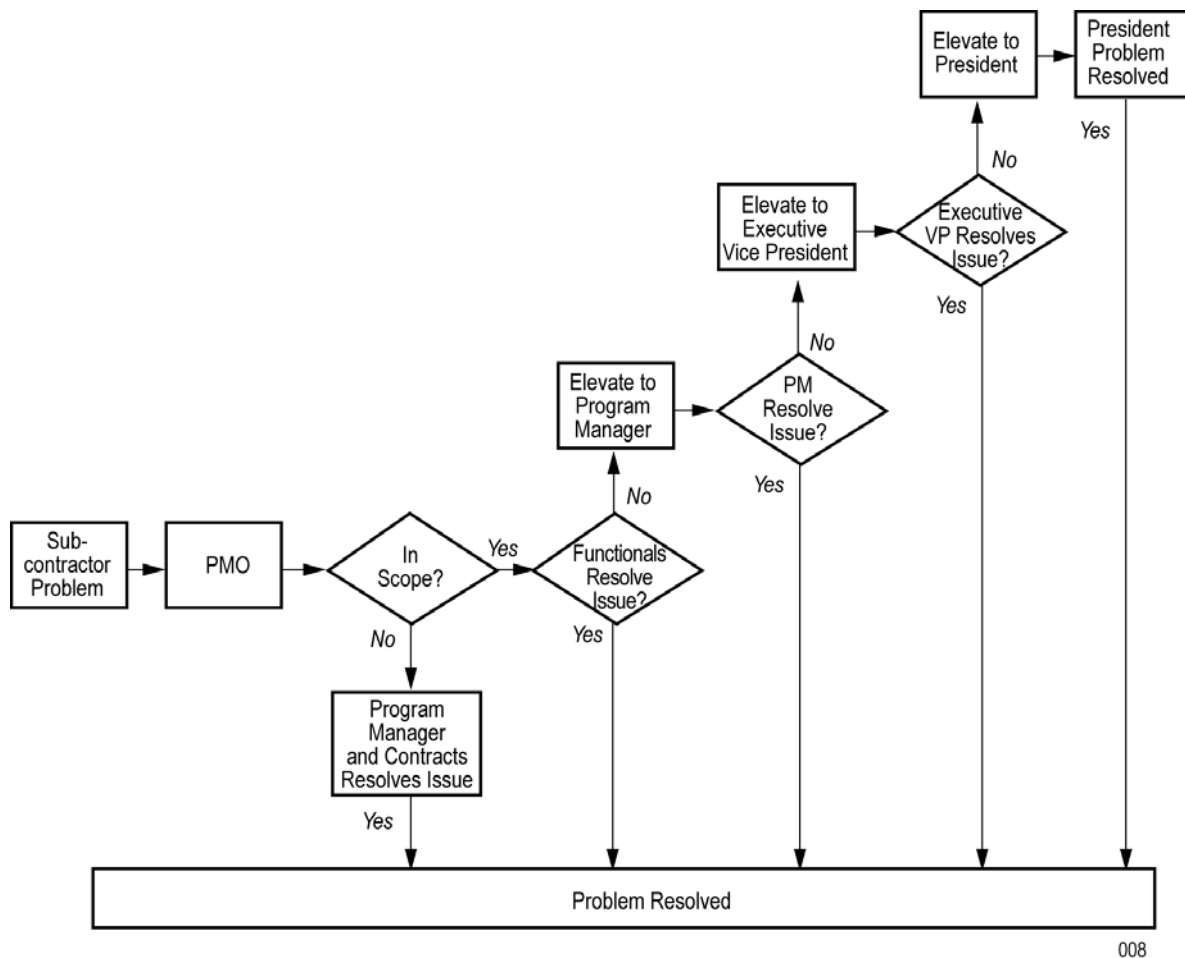


Figure 401-2. Subcontractor Problem Resolution

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5. Make/Buy Decisions

Depending on the critical nature of the make/buy issue, decisions are made by senior management and/or program management with input from Purchasing, Engineering, Manufacturing and Quality Assurance. Make/Buy evaluations are conducted by the appropriate IPT and recommendations are provided to management for review and decision. Make/Buy evaluations include program goals, program schedules, asset utilization, technical capability, cost, manageability, customer preferences, supplier rating, and risk assessment. IPT's assist in identifying potential subcontracted items due to program constraints. The IPT identifies those subcontracts that would jeopardize the success of the program goals if they failed. Then, cost, schedule, and technical performance concerns are evaluated by risk analysis. ECC's make/buy process includes management involvement assuring all factors are considered prior to the make/buy decision.

ECC provides the following list of executed teaming agreements:

<u>Subcontractor</u>	<u>Date Executed</u>
L3 Communications, Inc.	22 February 2001
Link Simulation & Training Division	

6. Quality Assurance Requirements

The Quality Assurance Department is an integral member of the Integrated Product Team. Quality Assurance requirements are levied and enforced on subcontractors through consistent monitoring by the QA department, Contracts department and Program Management. ECC incorporates company and prime contract flow downs associated with quality assurance requirements in all its subcontracts. Before entering a supplier on ECC's approved supplier database and subcontracting with the supplier, the ECC buyer investigates the supplier's past performance reputation and references. The ECC purchasing department maintains an approved supplier database with supplier ratings.

ECC's ratings program provides suppliers with incentive to consistently perform within/beyond subcontract requirements. The buyer assures that the catalog specifications of products to be purchased satisfy the requirements stated in the purchase order. Desk top pre-award surveys are utilized for evaluation of suppliers of non-complex, non-critical mechanical and electromechanical parts and assemblies which can be adequately evaluated upon receipt. These surveys assess the adequacy of the supplier's written procedures, sample inspection records, supplier's response to questionnaires and supplier provided results of surveys by other customers and supplier financial stability.

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Pre-award surveys are conducted at the facilities of suppliers providing products of complex design, or having critical application. Site surveys evaluate the adequacy of and compliance with suppliers written quality procedures, including calibration systems, control of non-conforming supplies, corrective action, control of special processes, non-destructive testing, control of drawing and changes. Frequent performance monitoring of subcontractors is an important element of ECC subcontractor control. A supplier quality record file is established for every new supplier. All documents supporting the initial assessment and qualification of the supplier are placed in the file. Typically, these documents are customer reference lists, capacity data sheets, catalogs, memoranda from telephone conferences, meetings and credit references.

Quality and delivery performance are of utmost importance. ECC's suppliers are continuously monitored to ensure satisfactory subcontract performance. When a non-conforming item is identified at delivery, the ECC receiving inspector initiates a Quality Investigation Report (QIR). Corrective action for individual non-conformances identified in receiving inspection is requested from the supplier by Quality Assurance and the buyer. These deficiencies or defects must be corrected prior to final inspection and acceptance and delivery to the end customer. Prior to award of a subcontract, the Quality Assurance Department provides guidance to the Contracts Organization and Program Management associated with applicable quality prime contract and special quality provisions necessary to fulfill prime contract requirements. The assigned QA engineer is accountable for periodically assessing the effectiveness of the subcontractor QA program. He/She determines if subcontract deliverables are in accordance with applicable contract requirements and reports deficiencies and discrepancies for resolution.

The QA engineer actively participates during acceptance testing of the subcontractor product, tracks open action items requiring correction and issues closing documentation with the subcontractor. The QA engineer provides support, as required, to the Program Management Office and the Contracts Organization in administering a successful subcontract in concert with the applicable Government requirements. ECC enforces quality assurance provisions incorporated into resultant subcontracts through consistent monitoring and utilizing established subcontract management procedures.

7. Integration of Subcontractor Provided Functional Capabilities

ECC has entered into an exclusive teaming agreement with Link for TSA II programs. Link's technical, management and contractor logistics support expertise, coupled with ECC's strong subcontract

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management processes and personnel, form a strong TSA II small business team. ECC will manage Link in accordance with its established subcontract management procedures and processes, which are used to manage subcontractors for both development and fabrication phases of programs. ECC will integrate and manage functional capabilities subcontracted to Link through ECC's IPT. This will facilitate monitoring, controlling, communicating and empowerment (authority) of the subcontractor.

ECC has also entered into a Proprietary Information Agreement with Link to facilitate and protect both the parties when exchanging information and data necessary to perform the requirements of any resulting prime contract/delivery order award for the TSA II program.

Selection of future awards to Link will be performed in accordance with FAR Part 15, Contracting by Negotiation, when applicable. Award decisions will be made utilizing the Program Management, Purchasing, Quality and Contracts organizations. Quality Assurance requirements will be incorporated into all resultant subcontract awards to Link. These provisions will be enforced through consistent monitoring in the IPT and through Program Management, Contracts and the Quality Assurance organizations. ECC will utilize several tools and processes in monitoring Link performance of subcontract requirements. These tools include earned value measurement, cost and schedule metrics reporting, cost or pricing data, when applicable, evaluation and analysis to form reasonableness determinations. All problems and issues with Link will be addressed in accordance with our problem resolution process described in section 4.

Upon subcontract award to Link, ECC will assign a contracts manager to monitor and administer the resultant subcontract with Link. This individual will be Link's central point of contact for all subcontract issues. The ECC Program Manager will be the point of contact for all technical and program issues associated with Link's subcontract. ECC's Contracts/Subcontracts organization will conduct a post award meeting with key Link personnel to review the requirements set forth in the subcontract and ECC's expectations of performance. During the period of performance, subcontract changes, if any, will be resolved expeditiously to avoid any impact to the prime contract. ECC Quality Assurance personnel will manage and monitor any non conformance issues prior to final acceptance. ECC will be able to communicate with key Link personnel on an as needed basis as they are an integral part of the IPT. ECC will allow Link the ability to be part of the decision making process associated with their work share delineated in our teaming agreement. However, prime contract requirements will be the top priority as decisions are made and discussed between Link and ECC.

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ECC will perform price and cost analysis on all Link's proposal submittals pursuant to FAR Part 15, Contracting by Negotiation. Cost of Link's performance will be monitored utilizing the Earned Value Measurement System which ECC utilizes to measure it's own cost performance. Corrective action plans will be required of Link should it be determined that the delivery schedule incorporated into the subcontract is in jeopardy. Quarterly program reviews will be instituted to evaluate and monitor Link's performance and provide constructive instruction. ECC and Link have the agreements executed that will encourage the free exchange of information to one another in order to provide the United States Air Force the best product possible.

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